

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

May 18, 2011

TO: Internal File

THRU: Kevin Lundmark, Hydrologist and Team Lead *KL*

FROM: James Owen, Engineer *JO*

RE: Midterm Permit Review, Sunnyside Cogeneration Associates, Star Point Waste Fuel, C/007/0042, Task ID #3814

SUMMARY:

According to the R645 Utah Coal Rules, the Division is required to review each active permit during its term. The Division commenced a midterm review for Star Point Waste Fuel (Permitee) on April 19, 2011. As a part of this process, the Division evaluated the reclamation bond to ensure that coverage adequately addresses permit changes approved subsequent to permit approval or renewal, and to ensure that the bond amount is appropriately escalated in current-year dollars.

During the midterm review process, the following deficiency was identified:

- **R645-301-830.140 and R645-301-830.300**, In accordance with the requirements of the Utah Coal Mining Rules, the Permitee must provide updated information in terms of "detailed estimated cost, with supporting calculations for the estimates, submitted by the permit applicant". The Permitee must update the bonding calculations and associated spreadsheets within Exhibit 830.100a of the MRP. Requirements include updated unit costs to 2011 dollars for each line item within the bonding calculation spreadsheets, updated direct and indirect costs, updated escalation years (5), updated escalation factor (1.7%), and updated escalation cost totals in 2016 dollars. The Division requests that the spreadsheets within Exhibit 830.100a be updated and submitted to the Division in hard and soft copy forms for further review.

TECHNICAL MEMO

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

General

According to Division records, the Permittee has posted a collateral bond in the amount of \$1,254,000.00 in 2006 dollars. The principal holder is Treasury Securities.

The most recently provided reclamation bond calculations estimate a direct cost total of \$920,670.00, an indirect cost total of \$246,741.00, and a total cost of \$1,167,411.00. An escalation factor of 2.89% was used for a 2.5 year escalation. Total escalation costs were estimated at \$86,172.00. The total escalation + reclamation costs were estimated at \$1,253,593.00. This number, rounded to the nearest \$1,000 is \$1,254,000.00, which matches the posted collateral bond.

Determination of Bond Amount

The reclamation cost estimate which is approved and incorporated into the current Star Point Waste Fuel mining and reclamation plan (MRP) has not been updated to current (2011) unit costs, escalation years (5) or escalation factor (1.7%). Current unit costs are used to calculate the direct costs of reclamation including demolition, backfilling and grading, and revegetation. These updates should be provided using the 2011 data from R.S. Means *Heavy Construction Cost* data manual and the *Caterpillar Handbook* or other appropriate resources.

R645-301-830.140 and R645-301-830.300, In accordance with the requirements of the Utah Coal Mining Rules, the Permittee must provide updated information in terms of "detailed estimated cost, with supporting calculations for the estimates, submitted by the permit applicant". The applicant must update the bonding calculations and associated spreadsheets within Exhibit 830.100a of the MRP. Requirements include updated unit costs to 2011 dollars for

TECHNICAL MEMO

each line item within the bonding calculation spreadsheet, updated direct and indirect costs, updated escalation years (5), updated escalation factor (1.7%), and updated escalation cost totals in 2016 dollars. The Division requests that the spreadsheets within Exhibit 830.100a be updated and submitted to the Division in hard a soft copy forms for further review.

Findings:

Contents and information provided are not sufficient enough to meet the minimum requirements of this section of the Utah Coal Mining Rules. The Permittee must provide updated bonding calculations and associated spreadsheets detailing demolition, backfilling and grading, and revegetation work associated with the disturbed areas located within the permit boundary. The Division cannot initiate a complete review until updated information is provided.

RECOMMENDATIONS:

The midterm review is complete. However, the permittee must submit updated information to the M&RP to stay in compliance with the Utah Coal Mining Rules.

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